

TRUCKEE MEADOWS WATER AUTHORITY
MINUTES OF THE AUGUST 15, 2018
MEETING OF THE BOARD OF DIRECTORS

The Board of Directors met on Wednesday, August 15, 2018, at Sparks Council Chambers, 745 4th Street, Sparks, Nevada. Chair Hartung called the meeting to order at 10:00 a.m.

1. ROLL CALL

Members Present: *Alternate David Bobzien, Kristopher Dahir, **Naomi Duerr, Neoma Jardon, Vaughn Hartung, and Ron Smith.

Members Absent: Jenny Brekhus and Bob Lucey

A quorum was present.

** Alternate Bobzien arrived at 10:13 a.m.*

***Member Duerr arrived at 10:44 a.m.*

2. PLEDGE OF ALLEGIANCE

The Pledge of Allegiance was led by Scott Estes, TMWA Director of Engineering.

3. PUBLIC COMMENT

There was no public comment.

4. APPROVAL OF THE AGENDA

Upon motion by Member Dahir second by Member Smith, which motion duly carried by unanimous consent of the members present, the Board approved the agenda as amended.

5. APPROVAL OF THE MINUTES OF THE JUNE 20, 2018 MEETING

Upon motion by Member Jardon, second by Member Smith, which motion duly carried by unanimous consent of the members present, the Board approved the June 20, 2018 minutes.

6. PRESENTATION OF THE BUREAU OF RECLAMATION TRUCKEE BASIN STUDY

Laine Christman, TMWA Conservation Supervisor, introduced Arlan Nickel, United States Bureau of Reclamation (USBR). Mr. Nickel presented on the findings of the 2015 Truckee Basin Study conducted by USBR and partner agencies. The findings, which considered various climate scenarios through 2099, suggest climate change may impact how reservoirs are currently operated and that changes in operation should be implemented to improve capture. In the future, climate change may put greater stress on all water users. Basin-wide alternatives were considered to address potential water supply-demand imbalances. Recommendations for further consideration include additional storage in the Truckee Basin, additional underground storage, and consideration of alternative sources. To view the presentation, click [HERE](#).

Discussion followed regarding the cost for increasing storage (land and permitting costs more and takes longer in California), the Truckee River Operating Agreement (TROA) provides greatly improved upstream storage even during long periods of extreme drought; data from the USBR Truckee Basin Study will be used in the 2020-2040 Water Resource Plan.

7. PRESENTATION OF PRELIMINARY FISCAL YEAR 2018 UNAUDITED FINANCIAL PERFORMANCE

Matt Bowman, TMWA Financial Controller, presented this item to the Board. Mr. Bowman reported that change in net position was \$26.4 million more than budgeted (\$38.8 million) due to developer contributed assets, lower operating expenses, higher-non-operating revenue and higher developer contributions. Operating revenues were higher-than-budgeted due to strong water revenue sales in the first half of 2018 and hydroelectric sales revenues that were \$0.8 million or 26% over budget, finishing a record year. Operating expenses were \$4.2 million, or 5%, less than budgeted due to decreases in services and supplies costs and employees' salaries and wages, and lower chemical costs due to improved water quality in the Truckee River. Capital spending was approximately \$10 million below budget due primarily to the delay in the start of construction of the Mt. Rose Water Treatment Plant due to delays in permitting and satisfying regulatory requirements.

8. DISCUSSION AND ACTION, AND POSSIBLE DESIGNATION OF AUTHORIZED REPRESENTATIVES TO REQUEST DISTRIBUTIONS FROM RETIREMENT BENEFITS INVESTMENT FUNDS (RBIF) OF THE TRUCKEE MEADOWS WATER AUTHORITY POST-RETIREMENT MEDICAL PLAN & TRUST AND THE SECTION 115 OPEB TRUSTS AND PROVIDE WIRE INSTRUCTIONS TO NV PERS

Michele Sullivan, TMWA Chief Financial Controller, presented this item to the Board.

Upon motion by Member Dahir, second by Member Duerr, which motion duly carried by unanimous consent of the members present, the Board authorized representatives to request distributions from Retirement Benefits Investment Funds (RBIF) of the Truckee Meadows Water Authority Post-Retirement Medical Plan & Trust and the Section 115 OPEB Trusts and provide wire instructions to RBIF.

9. DISCUSSION AND ACTION, AND POSSIBLE DIRECTION TO STAFF REGARDING THE UPDATE TO TMWA FINANCIAL MANAGEMENT AND RESERVE POLICY, AND THE RATE STABILIZATION FUND

Ms. Sullivan presented this item, which includes the most current reserve requirements required by current TMWA Senior Lien Debt. Both the Government Financial Officer's Association (GFOA) and the American Water Works Association (AWWA) recommend that a policy related to unrestricted cash should be developed to address the needs of a municipality based on local conditions. By consistently having solid unrestricted cash balances, TMWA has retained good credit ratings, and a policy related to these balances will ensure continued attention to a solid working capital position. In addition, the Rate Stabilization Fund (RSF) has been requested by board members to act as a type of financial reserve that can cushion the impacts of occasional revenue shortfalls. The current policy allows for a maximum of \$7.5 million for the fund, but a new maximum should be determined based on a risk assessment to create a target based on experienced financial impacts. After ensuring all restricted and unrestricted cash reserves are funded, excess funds could be allocated to the RSF.

Discussion followed regarding various approaches to updating Financial Management and Reserve Policy (per the new policy, total reserves would be \$129.5 million, adding approximately \$64 million to unrestricted cash due to TMWA's strong cash balance) and funding the RSF while maintaining flexibility and not tying it to the debt service coverage ratio; ensuring approximately \$5-\$10 million in the RSF, communicate with the community that TMWA has established this fund and its purpose, and the metric to fund the RSF; three years of water sales at 3% for a total of approximately \$9 million for three years of coverage was suggested as a reasonable financial metric to establish a new maximum for the RSF. Based on the Board direction received, staff will bring forth a resolution for Board approval at a future meeting.

No motion taken.

10. DISCUSSION AND ACTION, AND POSSIBLE DIRECTION TO LEGAL COUNSEL REGARDING NEGOTIATION OF POSSIBLE EXTENSION OF EMPLOYMENT AGREEMENT WITH GENERAL MANAGER

Mr. Pagni presented this item, requesting to work with one or two Board members to update the terms of the General Manager's employment agreement; which will be presented to the Board for approval at a future meeting.

Upon motion by Member Duerr, second by Member Dahir, which motion duly carried by unanimous consent of the members present, the Board approved Chair Hartung and Vice Chair Smith to consult with legal counsel regarding negotiation of possible extension of employment agreement with general manager and return the proposed employment agreement for Board approval.

11. GENERAL MANAGER'S REPORT

Mr. Foree reported that modifications to the Nevada Administrative Code (NAC) 445A regulations will go before the Legislative Subcommittee on August 30 for final approval and staff is finalizing the interlocal agreement (ILA) between TMWA, Nevada Department of Environmental Protection (NDEP) and Washoe County Health District (WCHD) which would provide TMWA with the authority to review and approve water plans for distribution projects such as subdivisions and anticipate the ILA being presented to the Board for approval at the September meeting. TMWA has entered into the due diligence period with West Reno Water Company and staff will provide an update at the September Board meeting as well.

Chair Hartung read a letter submitted by a TMWA customer thanking TMWA (see attached).

12. PUBLIC COMMENT

There was no public comment.

13. BOARD COMMENTS AND REQUESTS FOR FUTURE AGENDA ITEMS

Member Dahir thanked TMWA staff for all their work on fixing the water lines in Sparks and requested to revisit OPEB requirements prior to approving the next budget cycle.

14. ADJOURNMENT

With no further discussion, Vice Chair Hartung adjourned the meeting at 11:33 a.m.

Approved by the TMWA Board of Directors in session on September 19, 2018.

Sonia Folsom, Recording Secretary

**Alternate Bobzien was present for agenda items #6 thru #14 only.*

***Member Duerr was present for agenda items #7 thru #14 only.*

Thursday, August 9, 2018 3:34 PM

New submission from Comments to the Board

Name
David Brody
Email
[REDACTED]
Account Number
[REDACTED]
Comments
Probably don't hear enough of the good reports, but you all deserve one! I believe the TMWA is THE best run governmental entity I have ever dealt with. Although I have lived in Reno for over 30 years, I don't know all the history of putting together the various groups that now compose the TMWA. But if one person did it, they deserve a medal! The information we receive is timely and well done. The info on quality control and updates are excellent. Our product (considering our sources) is excellent and even the pricing is great. I am not a fan of any parts of government but pretty hard pressed to find a fault with your organization. i am concerned with our growth, but will leave that in your obvious capable hands. Keep up the great work and don't let any other government agency get in your way!! Dave Brody

From: Foree, Mark
Sent: Saturday, August 11, 2018 12:20 PM
To: [REDACTED]
Subject: your comments to the Board about TMWA

Dear Mr. Brody,

Thank you so much for your kind comments to the Board about TMWA. We are very fortunate here that in 2000 the cities of Reno and Sparks and Washoe County got together (forming the Truckee Meadows Water Authority) to bid on the water assets that Sierra Pacific Power Co. was selling. Those elected officials felt very strongly that the community's water resources should be kept in local hands and I could not have agreed more. As a result of those efforts, TMWA is a community owned water system with ample upstream drought reserves in the community owned Donner and Independence lakes, in addition to being able to store water in upstream federal or federally operated reservoirs (Stampede, Prosser and Boca) thanks to the Truckee River Operating Agreement (TROA) that was implemented in December of 2015. We are also fortunate to have a very engaged and supportive Board of Directors and very talented and dedicated employees that are really the ones responsible for your nice compliments about TMWA.

Again, thank you for taking the time to send us your nice comments – it means a lot to us!

Sincerely,

Mark Foree,
General Manager

Our vision is to enhance the quality of life in the Truckee Meadows by delivering exceptional, customer-focused water services.